

Message Text

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PAGE 01 KUALA 00103 081010Z

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ACTION EA-07

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R 080843Z JAN 74

FM AMEMBASSY KUALA LUMPUR

TO USDOC WASHDC

INFO SECSTATE WASHDC 6022

AMEMBASSY SINGAPORE

UNCLAS KUALA LUMPUR 0103

E.O. 11652: N/A

TAGS: EAGR, MY

SUBJECT: RECENT DEVELOPMENTS IN MALAYSIAN TIMBER INDUSTRY

REF: KUALA LUMPUR A-221

1. SUMMARY: RECENT DEVELOPMENTS MALAYSIAN TIMBER INDUSTRY RELATE TO UPCOMING TIMBER PROCESSING EQUIPMENT TRADE SHOW PLANNED EARLY 1975. NEW EXPORT DUTY ON SARAWAK LOGS CONSISTENT WITH GOM POLICY ENCOURAGE LOCAL PROCESSING PRIMARY COMMODITIES AND DUTY LIKELY CONTINUE OVER *ONG PERIOD. PRESENT EXPORT DUTY ON PLYWOOD AND VENEER WILL PROBABLY BE MODIFIED IF, IN FACT, MALAYSIA NOT COMPETITIVE ON WORLD MARKET. EMBASSY CONTINUES, BELIEVE THAT TRADE SHOW WILL PRODUCE EXCELLENT RESULTS.

2. FROM JAN 1, 1974 ALL LOGS EXCEPT RAMIN FOR EXPORT FROM SARAWAK STATE SUBJECT TO FIVE PERCENT AD VALOREM EXPORT DUTY. PURPOSE IS TO ENCOURAGE DOMESTIC PROCESSING OF LOGS. UNDER CONSTITUTION REVENUES ESTIMATED AT M\$6 MILLION PER ANNUM ACCRUE TO SARAWAK STATE GOVERNMENT.

3. FIVE PERCENT DUTY ON PLYWOOD AND VENEER, INTRODUCED ONE MONTH AGO, MAKING MALAYSIAN EXPORTS "UNCOMPETITIVE" ACCORDING MALAYSIAN PLYWOOD MANUFACTURERS ASSOCIATION. BRITAIN AND EUROPE, MAIN CUSTOMERS, BUYING MORE FROM SINGAPORE BECAUSE SEVEN PERCENT CHEAPER AS RESULT OF NO UNCLASSIFIED

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PAGE 02 KUALA 00103 081010Z

EXPORT DUTY AND TWO PERCENT LOWER EXCHANGE RATE.

ASSOCIATION SYAS MALAYSIA NO LONGER COMPETITIVE WITH
OTHER ASEAN PRODUCERS, ESPECIALLY PHILIPPINES, TAIWAN,
AND KOREA.

4. POST COMMENT: DUTY TO ENCOURAGE PROCESSING OF WOOD
PRODUCTS IN COUNTRY SHOULD CREATE DEMAND FOR ADDITIONAL
PROCESSING EQUIPMENT MAKING USAQUIP 75 PRODUCT THEME
TIMELY. CURRENT HANDRINGING ABOUT DROP IN EXPORT
MARKET FOR PLYWOOD WILL CAUSE SOME RETRENCHMENT IN
INDUSTRY, WHICH HAS TODATE BEEN OPERATING AT AN
INEFFICIENT FULL CAPACITY TO MEET BURGEONING FOREIGN
PLYWOOD ORDERS. IN FACT, COMPLAINTS HAVE BEEN AIRED BY
IMPORTERS REGARDING DIMINISHING QUALITY CONTROL ON
MALAYSIAN EXPORT PLYWOOD. RETROSPECT IN THIS INDUSTRY
MAY ENGENDER MARKET FOR NEW AND MORE SOPHISTICATED
EQUIPMENT FOR PLYWOOD MAKING AS WELL AS THE VENEER INDUSTRY.

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